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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-04 FEAE-00 FPC-01 H-01 INR-05

INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

SCI-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 IO-04 PA-01

PRS-01 USIA-06 DRC-01 SIL-01 LAB-01 /087 W
---------- 036484
R 172246Z OCT 74
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 5330
AMCONSUL CALI
AMCONSUL MEDELLIN

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E.O. 11652: NA
TAGS:EMRG ENRG EFIN CO
SUBJECT: GOC ANNOUNCES NO CHANGE IN PETROLEUM PRICES

REF: BOGOTA A-77 APRIL 18, 1974 AND BOGOTA 9095

1. GOC OFFICIALS ANNOUNCED ON OCTOBER 14 THAT NO REVISION
OF PETROLEUM AND TRANSPORTATION PRICES WILL BE UNDERTAKEN
AT PRESENT TIME. ANNOUNCEMENT CAME AS SURPRISE SINCE CHANGES
IN PRICE STRUCTURE HAVE BEEN SUBJECT OF EXTENSIVE DEBATE
WITHIN GOVERNMENT FOR PAST SEVERAL WEEKS AND ONLY REAL
QUESTION WAS THOUGHT TO BE QUANTITY OF INCREASE. GOC POSITION
HOWEVER, MEANS THAT PRICE FOR PRESENT CRUDE PRODUCTION WILL
REMAIN AT ABOUT U.S. 1.60 PER BARREL WITH MOTOR GASOLINE AT
13 AND 19 CENTS PER GALLON FOR REGULAR AND PREMIUM, RESPECTIVELY.
OFFICIAL SUBSIDIES IN FORM OF SPECIAL PETROLEUM EXCHANGE
RATE AND DIRECT PAYMENTS TO BUS COMPANIES AND GAS STATIONS
REMAIN IN EFFECT AND WILL REACH ABOUT 1.1 BILLION PESOS FOR 2.
EMBASSY SUSPECTS THAT GOC POSITION IS MERELY
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A DELAYING ACTION BASED ON CONCLUSION THAT MOVEMENT ON

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GASOLINE-TRANSPORT PRICES WOULD HAVE TOO GREAT A
NEGATIVE IMPACT ON ECONOMY AT PRESENT TIME WHEN COMBINED
WITH NUMEROUS OTHER REFORMS ALREADY ANNOUNCED. A NUMBER
OF PETROLEUM COMPANY OFFICIALS SHARE THIS VIEW ALTHOUGH
NEITHER EMBASSY NOR COMPANIES HAVE BEEN ABLE TO ELICIT
CONFIRMATION FROM GOC OFFICIALS. OUR EXPECTATION THAT
PRICE REVISION ONLY TEMPORARILY DELAYED IS BASED ON CLEAR
POSITION EXPLITICILY STATED SEVERAL TIMES BY PRESIDENT
LOPEZ SEVERAL TIMES DURING CAMPAIGN PLUS DEMONSTRATED
ABILITY OF NEW ADMINISTRATION TO TAKE DIFFICULT DECISIONS.
FURTHERMORE, FAILURE TO REVISE PRICES FAIRLY SOON COULD HAVE
HIGHLY NEGATIVE IMPACT ON EXPLORATION AND ON OFFICIAL
REVENUES. TOTAL SUBSIDY UNDER PRESENT SYSTEM COULD TOTAL
ABOUT 2 BILLION PESOS IN 1975.

3. OIL COMPANY REPRESENTATIVES NEVERTHELESS STRESS THAT
GOC MUST GIVE CLEAR INDICATION OF ITS POLICY FAIRLY SOON
OR CANCELLATION OF EXPLORATION PROJECTS AND EVEN SOME PULLOUT
COULD OCCUR. A NUMBER OF PRESENT PRODUCERS INDICATE THAT LOSS
OF DEPLETION ALLOWANCE IN RECENT INCOME TAX DECREE HAS CUT
PROFIT MARGINS TO POINT WHERE THEY CAN NO LONGER JUSTIFY
OPERATIONS TO HEAD OFFICE. BOTH COMPANIES AND EMBASSY
CONTINUE TO RECEIVE REPORTS THAT DEPLETION ALLOWANCE OR SOME
OTHER FORM OF COMPENSATION WILL BE REINSTATED SHORTLY
BUT LACK HIGH-LEVEL CONFIRMATION.
4. AS PART OF PETROLEUM-TRANSPORT POLICY ANNOUNCEMENT,
BUS FARES AND TRUCK TRANSPORT PRICES REMAIN FROZEN, BUT
BUS DRIVERS GIVEN 8-HOUR WORKDAY AND MINIMUM WAGE, TIRE
PRICES WERE SUBSTANTIALLY INCREASED. NO ONE, EXCEPT PERHAPS
TIRE PRODUCERS, IS HAPPY WITH SITUATION. BUS AND TRUCK
COMPANIES AND GASOLINE DISTRIBUTORS CONTINUE TO MAINTAIN
THEY ARE LOSING MONEY DESPITE SUBSIDY LEVELS. DRIVERS
COMPLAIN THAT MINIMUM WAGE IS LESS THEN THEY WERE MAKING
BEFORE ON COMMISSION BASIS. PUBLIC CONTINUES UNHAPPY WITH
BUS SERVICE.

5. SINCE COLOMBIA HAS NOT MADE PROGRESS THUS FAR IN
STIMULATING MARGINAL PRODUCTION, DOMESTIC CRUDE SUPPLY DURING
1975 WILL NOT MEET PREVIOUS PROJECTIONS AND ABOUT 10,000
BARRELS PER DAY IMPORTATION WILL BE REQUIRED. FIRST IMPORTS
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WILL PROBABLY BE NECESSARY NEAR END OF FIRST QUARTER.
THIS COULD BE PROPITIOUS TIME POLITICALLY TO ANNOUNCE PRICE
CHANGES. FURTHERMORE, ECONOMIC EMERGENCY POWERS ARE NOT
REQUIRED FOR MAJORITY OF EXPECTED REVISIONS.
VAKY

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